

## INDUSTRY OVERVIEW

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### I. OVERVIEW OF CHINA’S PANTRY STAPLE FOOD INDUSTRY

Pantry staple food refers to raw food materials, such as rice, whole grain, bean and seed, flour, dried food and corn, that are used for cooking. The demand for pantry staple food is relatively stable and therefore has no clear cyclical fluctuations.

According to the Frost & Sullivan Report, pantry staple food can be divided into several different categories in China, in particular:

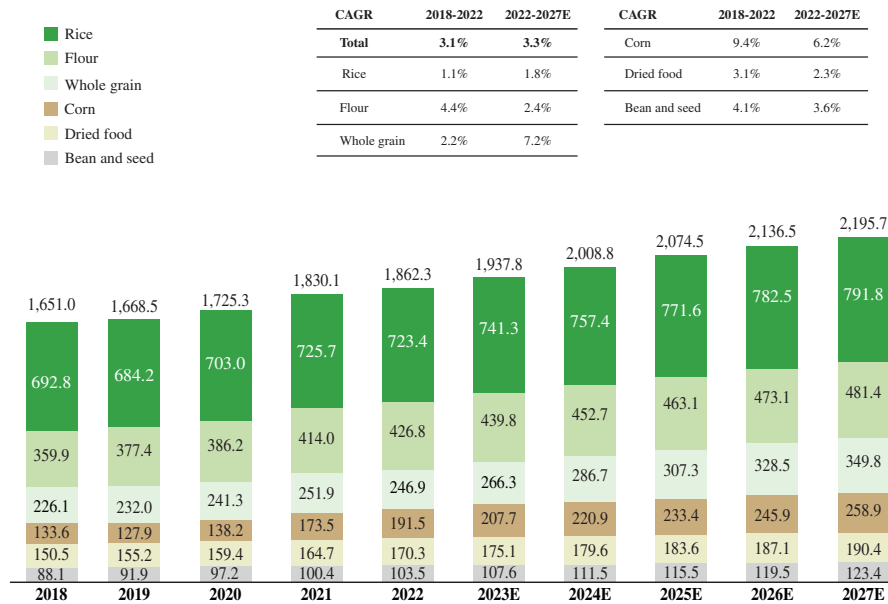
- The rice product segment is the largest of the pantry staple food market with a market size of RMB723.4 billion, accounting for 38.8% of the overall market size in 2022, and is expected to further reach RMB791.8 billion in 2027, representing a CAGR of 1.8% from 2022 to 2027;
- The flour product segment and corn product segment are the second and fourth largest segments of the pantry staple food market with market sizes of RMB426.8 billion and RMB191.5 billion, respectively, accounting for 22.9% and 10.3% of the total pantry staple food market size in 2022, respectively, and are expected to further reach RMB481.4 billion and RMB258.9 billion, respectively, in 2027, representing a CAGR of 2.4% and 6.2% from 2022 to 2027, respectively;
- The whole grain product segment and the bean and seed product segment are the third and sixth largest of the pantry staple food market with a collective market size of RMB350.4 billion, accounting for 18.8% of the total pantry staple food market size in 2022, and is expected to further reach RMB473.2 billion in 2027, representing a CAGR of 6.2% from 2022 to 2027; and
- The dried food product segment is the fifth largest segment of the pantry staple food market with a market size of RMB170.3 billion, accounting for 9.1% of the total pantry staple food market size in 2022, and is expected to further reach RMB190.4 billion in 2027, representing a CAGR of 2.3% from 2022 to 2027.

Driven by increasing disposable income per capita and consumption upgrade, China’s pantry staple food industry has grown steadily. According to Frost & Sullivan, in terms of revenue, the market size of the pantry staple food industry increased from RMB1,651.0 billion in 2018 to RMB1,862.3 billion in 2022, representing a CAGR of 3.1% from 2018 to 2022, and is expected to reach RMB2,195.7 billion by 2027, with a CAGR of 3.3% from 2022 to 2027. The increasing demand in the market has encouraged the growth of a larger variety of brands and products. In addition, the rapid growth of online channels, the emergence of grocery retail channels, and the digital transformation of traditional channels, have significantly improved consumers’ purchasing experiences and further diversified consumption scenarios, thereby promoting the continuous growth of China’s pantry staple food industry.

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### Market Size of China’s Pantry Staple Food Industry by Revenue, Breakdown by Product Category

Billion RMB, 2018-2027E

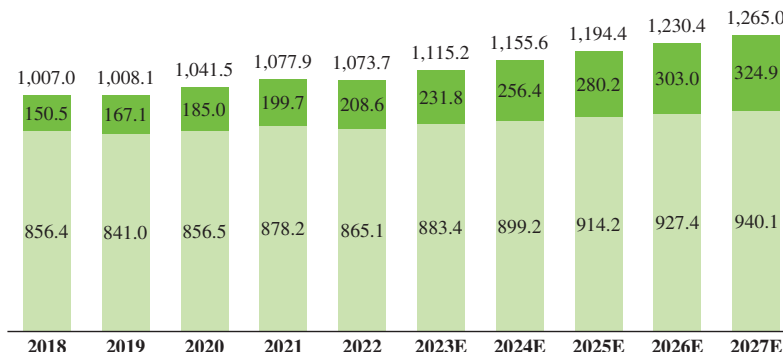


Source: Frost & Sullivan Report, National Bureau of Statistic, OECD, USDA

Based on package specification, rice, whole grain, and bean and seed products can be further divided into pre-packaged products and bulk products. Pre-packaged products have become more popular among consumers, mainly due to their portability and better preservation of quality, freshness and taste. With the rising disposable income per capita, Chinese consumers have become more conscious of food quality. Therefore, more consumers tend to purchase pre-packaged rice, whole grain, and bean and seed products, boosting a much higher growth rate in the pre-packaged market. According to the Frost & Sullivan Report, in terms of revenue, the market size of the pre-packaged rice, whole grain, and bean and seed industry increased from RMB150.5 billion in 2018 to RMB208.6 billion in 2022, representing a CAGR of 8.5% from 2018 to 2022, and is expected to further reach RMB324.9 billion by 2027, with a CAGR of 9.3% from 2022 to 2027.

### Market Size of China’s Rice, Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Package Specification

	CAGR	2018-2022	2022-2027E
<b>Total</b>	<b>1.6%</b>	<b>3.3%</b>	
Pre-packaged rice, whole grain, and bean and seed product	8.5%	9.3%	
Bulk rice, whole grain, and bean and seed product	0.3%	1.7%	



Source: Frost & Sullivan Report, National Bureau of Statistic, OECD, USDA

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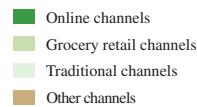
Sales channels of China’s rice, whole grain, and bean and seed industry can be divided into four major channels: online channels, grocery retail channels, traditional channels and other channels.

- Online channels mainly include comprehensive e-commerce platforms, social e-commerce platforms, community group buying platforms and B2B e-commerce channels.
- Grocery retail channels mainly include modern supermarkets, hypermarkets and chain convenience stores.
- Traditional channels include grain and oil wholesale shops and traditional farmers’ markets.
- Other channels mainly refer to channels through which products are sold to direct customers such as catering companies.

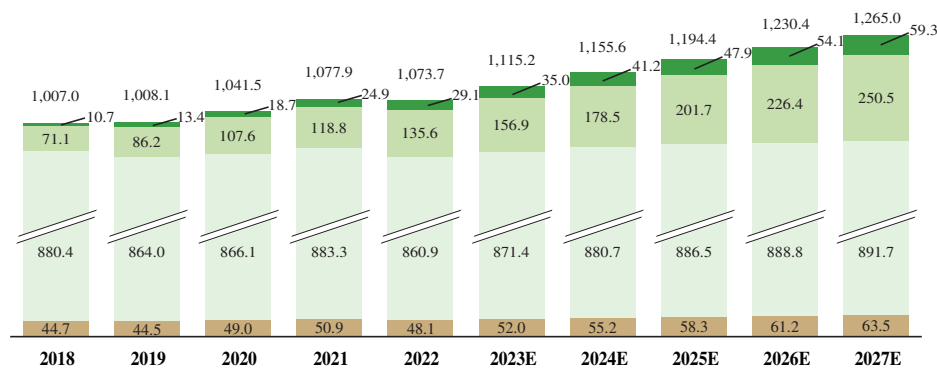
Online channels and grocery retail channels are more popular among consumers due to a more convenient purchasing experience and diversified products portfolio, and therefore have a higher growth rate compared to traditional channels.

### Market Size of China’s Rice, Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Sales Channels

Billions RMB, 2018-2027E



	CAGR	2018-2022	2022-2027E
<b>Total</b>		<b>1.6%</b>	<b>3.3%</b>
Online channels		28.4%	15.3%
Grocery retail channels		17.5%	13.1%
Traditional channels		(0.6%)	0.7%
Other channels		1.8%	5.7%



Source: Frost & Sullivan Report, National Bureau of Statistic, OECD, USDA

## II. OVERVIEW OF CHINA’S PRE-PACKAGED RICE INDUSTRY

In China, rice refers to the edible commercial rice made from paddy, husked rice or semi-finished rice which has been processed to remove some or all of its skin layers. Along the value chain of the rice industry, the upstream mainly refers to the cultivation of paddy with major participants including paddy farmers or enterprises, the midstream mainly refers to rice production, transportation and storage; and the downstream mainly refers to the distribution and sale of rice.

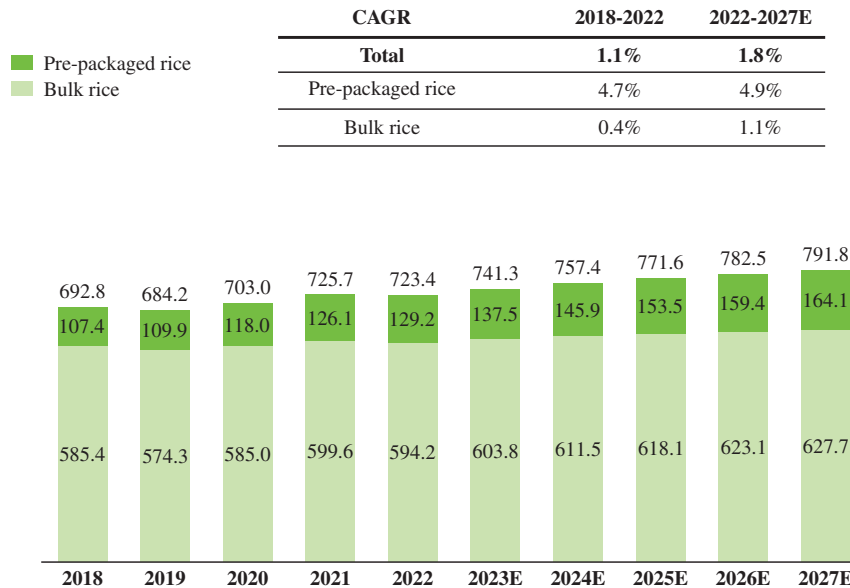
Based on package specification, rice products can be divided into pre-packaged products and bulk products. In particular, pre-packaged rice refers to products that have been packaged before being sold, which are suitable for direct sale, instead of being split for sale. The product weight of pre-packaged rice generally does not exceed 25kg. Pre-packaged rice products have become popular among consumers due to its portability and better preservation of quality, freshness and taste. According to the Frost & Sullivan Report, China’s pre-packaged rice

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market is growing rapidly, with its market size increasing from RMB107.4 billion in 2018 to RMB129.2 billion in 2022, representing a CAGR of 4.7%, and is expected to reach RMB164.1 billion in 2027, representing a CAGR of 4.9% from 2022 to 2027.

### Market Size of China’s Rice Industry by Revenue, Breakdown by Package Specification

Billion RMB, 2018-2027E



Source: Frost & Sullivan Report, National Bureau of Statistic, OECD, USDA

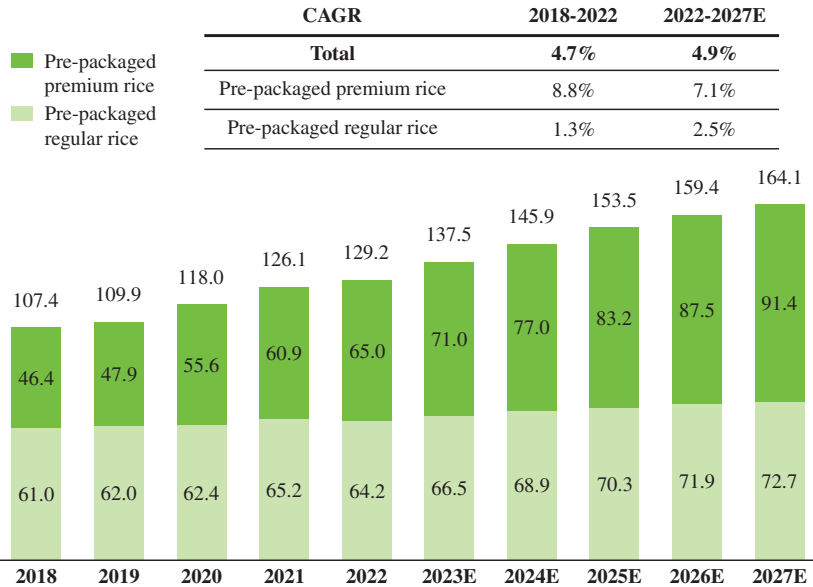
Based on product positioning, the pre-packaged rice market can be further divided into pre-packaged premium rice and pre-packaged regular rice. Pre-packaged premium rice refers to pre-packaged rice with a broken kernel rate of no more than 15% and with a retail price that is at least 10% higher than the industry average. Compared to pre-packaged regular rice, pre-packaged premium rice usually has a more delicate taste and higher nutritional value attributable to its favorable growing environment, refined cultivation management and standardized manufacturing process. In 2022, the average retail price of pre-packaged premium rice was more than RMB7.4 per kg, while the average retail price of pre-packaged regular rice was approximately RMB6.6 per kg.

Benefiting from the increase in disposable income per capita, consumption upgrade and the inclination towards branded products, the demand for pre-packaged premium rice has been strong in recent years. As a result, the growth rate of pre-packaged premium rice market is significantly higher than China’s overall pre-packaged rice market. In terms of revenue, the market size of China’s pre-packaged premium rice market grew from RMB46.4 billion in 2018 to RMB65.0 billion in 2022, representing a CAGR of 8.8%, and is expected to reach RMB91.4 billion in 2027, representing a CAGR of 7.1% from 2022 to 2027. Such rapid growth trend of pre-packaged premium rice market has demonstrated that the premiumization trend in the rice industry is becoming increasingly prominent.

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### Market Size of China’s Pre-packaged Rice Industry by Revenue, Breakdown by Product Positioning

Billion RMB, 2018-2027E



Source: Frost & Sullivan Report, National Bureau of Statistic, Ministry of Commerce of China, OECD, USDA

According to the Frost & Sullivan Report, the cultivation area of rice in China can be divided into five major regions: Northeast China, East China, Central China, Southwest China and others, which include South China, Northwest China and North China. Benefiting from the unique growing environment such as black soil and long cultivation period, the Northeast Rice products, which refer to rice originating from Northeast China, are generally perceived to have a superior taste, fresh rice fragrance, fuller grain, and a chewy and slightly sticky, soft and sweet texture. Thus, pre-packaged Northeast Rice has been enjoying a leading market position with strong growth momentum and premium price. In 2022, pre-packaged Northeast Rice ranked first in terms of revenue with a market share of 43.6%, and have maintained the highest revenue CAGR among all production regions during 2018 to 2022 according to Frost & Sullivan. The industry average selling price of pre-packaged premium rice products produced from paddy grown in Northeast China was approximately RMB6.0/kg, RMB6.1/kg and RMB6.1/kg in 2020, 2021 and 2022 respectively, higher than the average selling price of the overall rice products in China, which was around RMB4.9/kg, RMB5.0/kg and RMB5.0/kg in 2020, 2021 and 2022, respectively. In terms of revenue, the market size of the pre-packaged Northeast Rice market increased from RMB41.8 billion in 2018 to RMB56.3 billion in 2022, representing a CAGR of 7.7%, and is expected to reach RMB77.6 billion in 2027, representing a CAGR of 6.6% from 2022 to 2027. The market size of China’s pre-packaged retail market for Northeast Rice products has grown significantly from RMB22.6 billion in 2018 to RMB36.2 billion in 2022 in terms of revenue at a CAGR of 12.5%, and is expected to grow at a 9.9% CAGR to reach RMB58.0 billion in 2027, demonstrating strong growth momentum within the retail market, which in term is attributable to its capability to meet consumers’ upgrading demands and providing more convenient purchasing experiences.

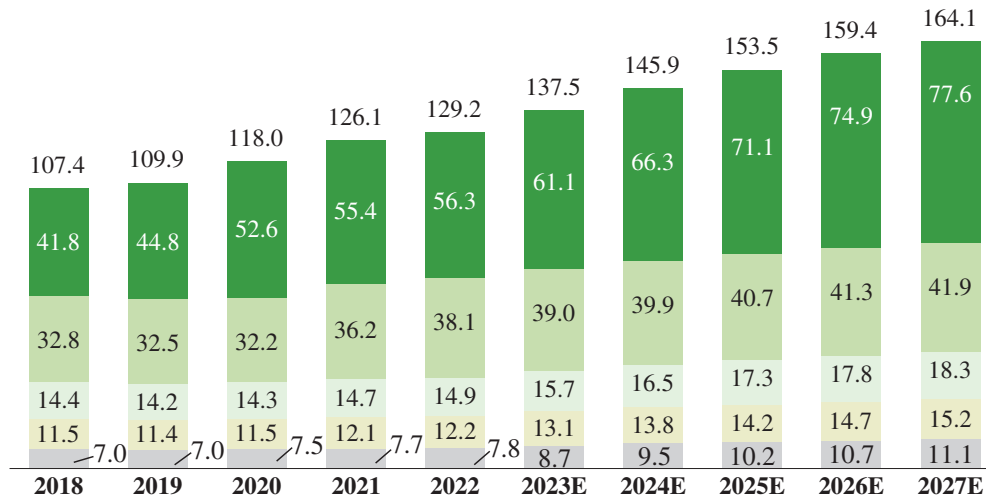
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### Market Size of China’s Pre-packaged Rice Industry by Revenue, Breakdown by Production Region

Billion RMB, 2018-2027E

	CAGR	2018-2022	2022-2027E		CAGR	2018-2022	2022-2027E
<b>Total</b>	<b>4.7%</b>	<b>4.9%</b>		<b>Southwest China</b>	<b>1.4%</b>	<b>4.6%</b>	
Northeast China	7.7%	6.6%		Others	2.7%	7.3%	
East China	3.8%	1.9%					
Central China	0.9%	4.2%					

- Northeast China
- East China
- Central China
- Southwest China
- Others



Source: Frost & Sullivan Report, National Bureau of Statistic, OECD, USDA

### III. OVERVIEW OF CHINA’S PRE-PACKAGED WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

Whole grain products refer to processed products of other food grains, which usually refer to raw grains other than the paddy, wheat, corn and soybean. Other food grains can be categorized into two major categories, namely cereal (such as millet, sorghum, barley and buckwheat) and potato. Bean and seed products refer to seeds of leguminous herbs and edible oilseeds, including black beans, red beans, sesame and peanuts. Benefiting from increasingly advanced processing technologies that lead to lower loss rates and higher yield rates, the production output of whole grain, and bean and seed products has continued to grow in the last three years. Meanwhile, consumers’ increasing health awareness and growing attention to a more balanced diet structure have further fueled the growth of the whole grain, and bean and seed industry.

Based on package specification, whole grain, bean and seed products can be divided into pre-packaged products and bulk products. Pre-packaged products refers to products that have been packaged before being sold, which are suitable for direct sale to end-consumers, and not suitable to be split for sale. Generally, the weight of pre-packaged whole grain, and bean and seed products does not exceed 25kg. The increasingly standardized production processes of pre-packaged whole grain, bean and seed products can better fulfill consumers’ demands for food health and safety. In terms of revenue, the market size of the pre-packaged whole grain, and bean and seed industry grew from RMB43.1 billion in 2018 to RMB79.4 billion in 2022, representing a CAGR of 16.5%, and is expected to reach RMB160.8 billion in 2027, representing a CAGR of 15.2% from 2022 to 2027.

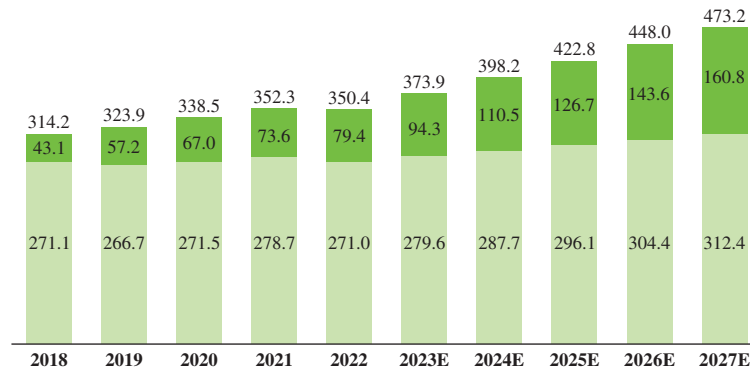
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### Market Size of China’s Whole Grain, and Bean and Seed Industry by Revenue, Breakdown by Package Specification

Billion RMB, 2018-2027E

	CAGR	2018-2022	2022-2027E
<b>Total</b>		<b>2.8%</b>	<b>6.2%</b>
<b>Pre-packaged whole grain, and bean and seed products</b>		16.5%	15.2%
<b>Bulk whole grain, and bean and seed products</b>		0.0%	2.9%

■ Pre-packaged whole grain, and bean and seed products  
 ■ Bulk whole grain, and bean and seed products



Source: Frost & Sullivan Report, National Bureau of Statistic

#### IV. GROWTH DRIVERS AND TRENDS IN THE PRE-PACKAGED RICE, WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

**Increased popularity of pre-packaged products.** Consumers’ consumption habits have gradually changed from purchasing bulk products to pre-packaged products, due to their portability and better preservation of quality, freshness and taste. Therefore, pre-packaged rice, whole grain, bean and seed products have become more popular among consumers with diversified consumption scenarios. In terms of revenue, the market size of pre-packaged rice, whole grain, and bean and seed products compared to the market size of China’s overall rice, whole grain, and bean and seed products increased from 14.9% in 2018 to 19.4% in 2022 and is expected to increase to 25.7% in 2027. In comparison to the corresponding 52.9% and 41.8% market share in Japan and South Korea in 2022, respectively, China’s pre-packaged rice, whole grain, and bean and seed market entails large potentials and promises sustainable development.

According to the Frost & Sullivan Report, China’s per capita disposable income is expected to increase from RMB36,883 in 2022 to RMB52,849 in 2027, with a CAGR of 7.5% from 2022 to 2027. Driven by the growing per capita disposable income and consumption upgrade, Chinese consumers are increasingly valuing nutrition, quality, freshness and taste when making purchasing decisions, and are willing to pay a higher price for quality products. The market size of pre-packaged premium rice market compared to the overall market size of pre-packaged rice market in term of revenue increased from 43.2% in 2018 to 50.4% in 2022 and is expected to reach 55.7% in 2027.

**Inclination toward branded products.** Brand loyalty and consumer stickiness are vital as the rice, whole grain, and bean and seed industry has undergone and is expected to continuously experience upgrades and developments including higher consumer needs for premium, healthy and fresh products, inclination towards branded products, and the evolving retail landscape. Enterprises with continuously updated and diversified product offerings are expected to excel, thus further driving the growth of brands and the completion of a virtuous cycle. China’s pre-packaged rice, whole grain, and bean and seed market is highly fragmented, with the top five companies accounting for an 8.9% market share in terms of revenue in 2022; in comparison, the top five companies in the edible oil, flour and condiment markets accounted for approximately 60%, 21% and 15% market share, respectively.

**Evolving sales channel landscape.** Online and offline sales channels of the rice, whole grain, and bean and seed industry are expected to integrate, enabling enterprises with multichannel sales network operation capabilities to achieve an economic moat. Compared to traditional channels, online channels and grocery retail channels can provide more convenient

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purchasing experiences with more diversified products. Thus, such channels have become more popular among consumers, especially among the younger generation. In terms of revenue, the CAGRs from 2022 to 2027 of online channels and grocery retail channels in the rice, whole grain, and bean and seed market are 15.3% and 13.1%, respectively, which far exceed the CAGR of 0.7% for traditional channels during the same period. In addition, along with the changes in consumers’ consumption habits and the continuous emergence of new sales channels, various retailers are accelerating their digital transformation, continuously integrating their online and offline channels’ operation to expand their consumer base.

**Favorable regulatory policy.** As agricultural industrialization continues to advance, the Chinese government has intensified its support for leading enterprises in the “agriculture, rural areas, and farmers” field. This support aims to enhance the competitiveness, influence, and driving force of agricultural brands, thereby accelerating rural revitalization and upgrading the comprehensive rural industrial chain. To further this goal, the Office of the Ministry of Agriculture and Rural Development has issued the “Agricultural Brand Boutique Cultivation Plan” for 2022-2025. The plan includes an investment of over RMB13 billion to support the National Modern Agricultural Industrial Park through Central Financial Awards, as well as more than RMB9 billion to support township-dominated industries. Leading enterprises are encouraged to collaborate with farmers cooperatives, family farms, and individual farmers. Through the cultivation of agricultural brands, rural rejuvenation is promoted and the modernization of agricultural rural areas is accelerated. This helps to unleash the potentials of agricultural brands.

### V. ENTRY BARRIERS FOR THE PRE-PACKAGED RICE, WHOLE GRAIN, AND BEAN AND SEED INDUSTRY

**Brand awareness and product reputation.** Brand awareness and product reputation have been among the decisive factors that affect consumers’ choices. Consumers tend to trust and select rice, whole grain, and bean and seed products with high brand awareness due to their consumption needs for food safety and stable product qualities. This allows companies with high brand awareness to retain and expand their consumer base in the highly fragmented rice, whole grain, and bean and seed industry.

**Sales network deployment and channel operation capabilities.** Leading players who have entered sales network channels at opportune moment amid sales channel evolution have been able to establish first-mover advantage, accumulate industry insights, and achieve remarkable market penetration with high brand awareness. Leveraging these competitive edges, leading players are able to maintain good relationships with channel partners such as comprehensive e-commerce platforms, NKAs and LKAs, and obtain favorable cooperation terms. In comparison, new entrants to the industry will need to commit more time and resources in building sales networks.

**Procurement capabilities in the renowned places of origin for grains.** New entrants to the rice, whole grain, and bean and seed industry need to spend a large amount of time and effort to develop procurement capabilities, while leading companies in the industry have achieved first-mover advantages in establishing favorable collaboration with reputable suppliers with stable demand, superior credibility and favorable reputation. In addition, procurement teams with proficient expertise and local knowledge are better able to select and source raw materials to ensure a stable supply of premium rice, whole grain, and bean and seed products.

**Supply chain management and control.** Even with adequate capital resources, new entrants usually don’t have adequate experience in supply chain management. For example, leading market participants are better positioned to achieve high operational efficiency and provide consumers with fresh and premium products via market-driven production planning, flexible supply chain management and effective warehousing and logistics systems. Such capabilities require deep market and consumer insights, robust relationships with suppliers and channel partners, and a wide talent pool with practical experience.

**Talent pool.** The development of the rice, whole grain, and bean and seed industry relies on a multi-dimensional integration of product development, sales, marketing, supply chain management, and customer service. Such professionalism and industry know-how require long-term commitment, talent pool cultivation, and time-tested expertise and insights accumulated over the years.



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**Requirement of capital investment.** The sourcing of raw ingredients of premium rice, whole grain, and bean and seed products, processing technology and equipment, efficient transportation, and effective marketing all require a large amount of capital investment. Constructing advanced production bases, investing in advanced production equipment and establishing a complete logistics supply system involve a large amount of capital investments, and bolster a competitive strength for market players with capital advantages.

### VI. COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked fifth among China’s pantry staple food market with a market share of 0.2%. The following table shows China’s top five pantry staple food companies in terms of revenue and each of their market share in 2022. From 2020 to 2022, the CAGR of our revenue was the highest among China’s top five pantry staple food companies.

#### Ranking of the Top Five Players in China’s Pantry Staple Food Market by Revenue (2022)

Ranking	Name	Market Share
1	Company A <sup>(1)</sup>	2.3%
2	Company B <sup>(2)</sup>	2.3%
3	Company C <sup>(3)</sup>	1.7%
4	Company D <sup>(4)</sup>	0.4%
5	Our Company	0.2%

*Notes:*

- (1) Company A is an unlisted company mainly engaged in agricultural and by-product processing industry, and its main product is flour.
- (2) Company B is a listed company engaged in agricultural products and food processing industry in China. Its product line covers small packaged edible oil, rice, flour, noodles, condiments, catering products, and other products.
- (3) Company C is an unlisted company with agricultural products as its core business, involving grain, oil, sugar, cotton, meat, dairy, and other products.
- (4) Company D is an unlisted agricultural company whose main products are noodles and flour products.

According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked third in China’s pre-packaged rice, whole grain, and bean and seed market with a market share of 2.0%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China’s pre-packaged rice, whole grain, and bean and seed market by revenue in 2022:

#### Ranking of the Top Five Players in China’s Pre-packaged Rice, Whole Grain, and Bean and Seed Market by Revenue (2022)

Ranking	Name	Market Share
1	Company B	3.2%
2	Company C	2.7%
3	Our Company	2.0%
4	Company E <sup>(1)</sup>	0.6%
5	Company F <sup>(2)</sup>	0.4%

*Notes:*

- (1) Company E, an unlisted company, is a comprehensive food enterprise group, integrating food research and development, production, processing, wholesale, retail, transportation and international trade. Its main products are meat, comprehensive food, rice, modern agriculture, and it is agent for a wide range of high-quality products both domestically and internationally.
- (2) Company F is a listed agricultural company. Its product lines mainly cover rice, noodles, oil, meat, dairy, and other products.

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According to the Frost & Sullivan Report, in terms of revenue in 2022, we ranked third in China’s pre-packaged rice market with a market share of 2.8%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China’s pre-packaged rice market by revenue in 2022:

### Ranking of the Top Five Players in China’s Pre-Packaged Rice Market by Revenue (2022)

Ranking	Name	Market Share
1	Company B	5.2%
2	Company C	4.2%
3	Our Company	2.8%
4	Company E	1.0%
5	Company F	0.6%

According to the Frost & Sullivan Report, in terms of revenue generated in 2022, we ranked first in China’s pre-packaged premium rice market with a market share of 4.0%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in China’s pre-packaged premium rice market by revenue in 2022:

### Ranking of the Top Five Players in China’s Pre-packaged Premium Rice Market by Revenue (2022)

Ranking	Name	Market Share
1	Our Company	4.0%
2	Company B	3.5%
3	Company C	2.7%
4	Company E	0.5%
5	Company F	0.4%

In terms of revenue generated from China’s pre-packaged retail market for Northeast Rice products in 2022, we ranked first among all competitors with a market share of 9.7%. Moreover, from 2020 to 2022, the CAGR of our revenue was the highest among the top five companies in the market. The table below sets forth the details of the top five companies in the in China’s pre-packaged retail market for Northeast Rice products by revenue in 2022:

### Ranking of the Top Five Players in China’s Pre-packaged Retail Market for Northeast Rice Products by Revenue (2022)

Ranking	Name	Market Share
1	Our Company	9.7%
2	Company B	6.5%
3	Company C	3.7%
4	Company E	0.9%
5	Company F	0.7%

In terms of revenue in 2022, we ranked first in China’s pre-packaged whole grain, and bean and seed market with a market share of 0.7%. The table below sets forth the details of the top five companies in China’s pre-packaged whole grain, and bean and seed market by revenue in 2022:

### Ranking of the Top Five Players in China’s Pre-packaged Whole Grain, and Bean and Seed Market (2022)

Ranking	Name	Market Share
1	Our Company	0.7%
2	Company G <sup>(1)</sup>	0.6%

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Ranking	Name	Market Share
3	Company H <sup>(2)</sup>	0.3%
4	Company C	0.1%
5	Company I <sup>(3)</sup>	0.1%

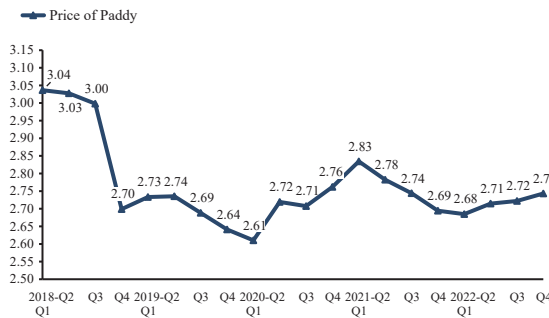
*Notes:*

- (1) Company G is an unlisted food processing company, integrating the production, sales, research and development of coarse grain products.
- (2) Company H, an unlisted company, is an agricultural enterprise mainly engaged in the production of whole grain products.
- (3) Company I, an unlisted company, is a leading enterprise of agricultural industrialization, mainly engaged in edible fungi, dried goods, roasted goods, seafood, grain products and other series of products.

## VII. RAW MATERIALS AND PRODUCTS

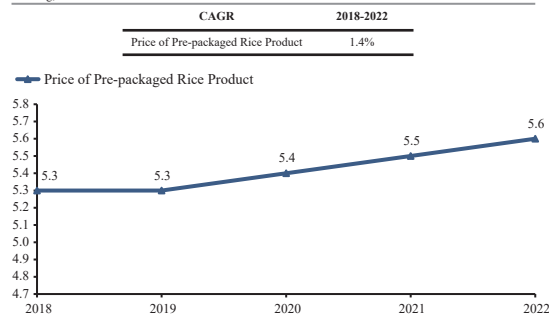
Paddy serves as raw material for pre-packaged rice products. The following charts set forth the average prices of paddy by quarter in China from 2018 to 2022 and the average annual selling prices of pre-packaged rice products in China from 2018 to 2022:

**Price Trend of Paddy in China, by Quarter**  
RMB/kg, 2018-2022



Source: Frost & Sullivan, National Food and Strategic Reserves Administration

**Price Trend of Pre-packaged Rice Products in China**  
RMB/kg, 2018-2022



Source: Frost & Sullivan

According to Frost & Sullivan, the paddy price showed a decreasing trend from 2018 to the end of 2019 mainly attributed to factors such as supply-side reform, adjustment in planting structure, continuous reduction of minimum purchase price, and oversupply in the domestic japonica rice market, and showed an increasing trend in 2020 and the first quarter of 2021 mainly attributed to the outbreak of COVID-19 and heightened feed demand in early 2020, which resulted in rising prices of corn, soybean, and soybean meal in China and in turn led to an increased market demand for paddy as a substitute. After March 2021, the price of paddy showed a decreasing trend mainly due to excess market stock and weakened market demand, and bounced back after March 2022 mainly due to the substantial increase in the market prices for rice, wheat, and corn. According to Frost & Sullivan, the average selling prices of pre-packaged rice products remained relatively stable from 2018 to 2022.

## VIII. CONSUMER SURVEY

In October 2022, we commissioned Frost & Sullivan to conduct online questionnaire surveys with 1,500 participants randomly selected across different cities in China to better understand product preferences and the market from a consumer’s perspective (the “**Frost & Sullivan 2022 Survey**”). In the Frost & Sullivan 2022 Survey, questions were designed to first effectively filter in participants who have bought or plan to buy rice or whole grain, bean and seed products in the near future, then further narrowed down to consumers who have bought rice or whole grain, bean and seed products from targeted brands, which are believed to be representative consumers of rice, whole grain, bean and seed products. During the process of the consumer survey, Frost & Sullivan was responsible for designing questionnaires, processing data extracted from the interviewee responses and preparing the survey report. The

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## INDUSTRY OVERVIEW

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online questionnaires designed by Frost & Sullivan were distributed and collected via open platforms in October 2022 with randomly selected participants to ensure a fair and wide coverage. Such progress was closely monitored to ensure the collection of sufficient effective samples.

Two types of interviewees were included in the Frost & Sullivan 2022 Survey, namely rice products consumers and whole grain, bean and seed products consumers. The actual sample size refers to consumers who have successfully completed all questions of the survey. The numbers of valid samples collected from the survey are set forth below:

- Rice products consumers: 1,500
- Whole grain, bean and seed products consumers: 793 (approximately 53% of consumers participated in two surveys)

There were a total of 1,500 participants, among whom 1,500 consumers participated in the rice product survey and 793 consumers participated in the whole grain, bean and seed product survey. All of the 1,500 participants are effective samples, which are sufficient for the purpose of better understanding the product preferences in the rice, whole grain, bean and seed market from a consumer's perspective and are comparable with similar surveys in other retail industries. Details of the Frost & Sullivan 2022 Survey are set forth below.

### Consumer Preferences

- 89.3% and 74.9% of the respondents said they prefer to buy pre-packaged rice products and whole grain, bean and seed products, respectively.
- 62.6% of the respondents said they prefer to buy Northeast Rice because they prefer the texture and taste of rice originating from Northeast China.

### Consumer Base

- 81.6% of our consumers were at or under the age of 40.
- 58.7% of our consumers were at or under the age of 35, making up the majority of Shiyue Daotian's consumer base.

### Consumer Satisfaction

- Shiyue Daotian is a satisfying and popular brand in China's rice, whole grain, bean and seed market.
- Compared to other rice, whole grain, bean and seed brands, Shiyue Daotian received the highest proportion of consumers, approximately 59%, willing to recommend its products to their relatives and friends, and the highest proportion of consumers, over 60%, intending to repurchase. Its high brand popularity, good taste, and good product quality are the major factors considered by the respondents in choosing Shiyue Daotian.
- Shiyue Daotian's net promoter score for rice, whole grain, bean and seed products achieved 50.7, which is the highest among all rice, whole grain, bean and seed brands surveyed. Firewood Courtyard's net promoter score for rice, whole grain, bean and seed products is 47.5, which is the fifth highest among all rice, whole grain, bean and seed brands.

## IX. SOURCES OF INDUSTRY INFORMATION

We commissioned Frost & Sullivan to conduct a detailed analysis on China's rice, whole grain, and bean and seed industry and compile the Frost & Sullivan Report. During the preparation of the report, Frost & Sullivan conducted primary and secondary research and obtained knowledge, statistics, information and industry insights about the industry trends in China's rice, whole grain, and bean and seed market. Primary research involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and Frost & Sullivan's own research database. We incurred a total of RMB870,000 in fees and expenses in connection with the preparation of the Frost & Sullivan Report.

## INDUSTRY OVERVIEW

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As part of the compilation of the Frost & Sullivan Report, we also commissioned Frost & Sullivan to conduct online questionnaire surveys with 1,500 consumers randomly selected in China to better understand the product preferences and market from a consumer's perspective.

Forecasts and assumptions included in the Frost & Sullivan Report are inherently uncertain because events or combinations of events cannot be foreseen, including, but not limited to, the actions of government, individuals, third parties and competitors. Thus, material discrepancies may be found between actual outcomes and what are forecasted in the report. Specific factors that might contribute to these discrepancies include, but are not limited to, the inherent risks, financial risks, labor risks, supply risks, regulatory risks and environmental issues in the China's rice, whole grain, and bean and seed industry and rice, whole grain, and bean and seed products retail market.

Unless otherwise indicated, all data and forecasts within this section are derived from the Frost & Sullivan Report. Our Directors confirm with prudence that there has been no adverse change in the overall market information that would subject the data to significant restriction, contradiction or negative effects since the date of the Frost & Sullivan Report.